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INTERNATIONAL DRUG CONTROL

Implementation of the United Nations System-Wide Action Plan on Drug Abuse Control

Report of the Secretary-General

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I. INTRODUCTION

1. Up to the forty-sixth session of the General Assembly, the Secretary-General had prepared an annual report on coordination of drug abuse control activities within the United Nations system pursuant to a request to that effect in Assembly resolution 34/177 of 12 December 1979. Following the decision to create a United Nations System-Wide Action Plan on Drug Abuse Control in December 1989 (Assembly resolution 44/141 of 15 December 1989) and the adoption of the Global Programme of Action in February 1990 (Assembly resolution S-17/2 of 23 February 1990), a different reporting approach was called for.

2. The Secretary-General has been requested to report annually to the General Assembly on the implementation of the Global Programme of Action (resolutions S-17/2, 45/148 of 18 December 1989, 46/102 of 16 December 1991 and 47/100 of 16 December 1992). Such annual reports have been before the Assembly in documents A/45/536 (sect. III), A/46/511 (sect. IV) and A/47/471 (sect. III). The very detailed report before the Assembly at its current session (A/48/286) also responds to the request contained in Assembly resolution 47/99 of 16 December 1992 for an evaluation by the Secretary-General of the implementation activities by Member States, in view of the plenary meetings scheduled for the forty-eighth session (see Assembly resolution 47/99, para. 1).

3. With respect to the System-Wide Action Plan, executive heads of United Nations bodies were requested in General Assembly resolution 44/141 to report annually to the Administrative Committee on Coordination (ACC) on progress made in implementing the Plan, and ACC was to include that information in its annual report so as to enable the Committee for Programme and Coordination and the Economic and Social Council to consider it, within their respective mandates, and to make appropriate recommendations to the Assembly. ACC was further requested to adjust the action plan annually.

4. The time-frame required to revise the System-Wide Action Plan in the light of comments and further requests from the General Assembly, the Economic and Social Council and the Committee for Programme and Coordination has not facilitated the establishment of a new reporting line on international drug control activities in the United Nations system. The general reporting pattern followed earlier under Assembly resolution 34/177 was accordingly continued in documents A/45/536 (sect. II), A/46/511 (sect. III) and A/47/471 (sect. II). The present report on implementation of the System-Wide Action Plan is the first one to introduce a new approach based on the outline of activities adopted by the Assembly with respect to the Global Programme of Action. This seems appropriate since the Assembly, in recent resolutions, has tended to group together, as interrelated, the Global Programme of Action, the Comprehensive Multidisciplinary Outline and the System-Wide Action Plan. This approach also has the advantage of facilitating comparison of activities by Member States and activities within the United Nations system. A section on activities by legislative and governing bodies has also been introduced.

5. The question of the review and update of the System-Wide Action Plan itself was clarified by the General Assembly in its resolution 47/100, which established that ACC should review and update, as necessary, the System-Wide Action Plan on a biennial basis, taking into account the need to simplify and

streamline its presentation. Any report from ACC under that resolution would normally go to the Assembly through the Council, as is the case at the present session (see A/48/178-E/1993/70).

6. In view of the fact that a revised version of the System-Wide Action Plan is now before the General Assembly (A/48/178-E/1993/70), guidance to the Secretariat with respect to reporting procedures on implementation would be welcome. This has also become necessary in view of two new mandates of the Commission on Narcotic Drugs established by the Economic and Social Council in its resolution 1991/38 of 21 June 1991 to review the implementation of the Global Programme of Action and to review the development and implementation of the United Nations System-Wide Action Plan. Likewise the Assembly, in its resolution 47/100, requested the Commission and the United Nations International Drug Control Programme (UNDCP) to promote and continuously monitor the implementation of the Global Programme of Action with special attention to the System-Wide Action Plan.

7. It is clear from the new terms of reference for the Commission on Narcotic Drugs, contained in Economic and Social Council resolution 1991/38, that UNDCP should prepare reports on the implementation of the Global Programme of Action by Member States and the implementation of the System-Wide Action Plan by United Nations bodies for consideration by the Commission at its annual sessions. Both reports would cover activities carried out during the previous calendar year, and comments by the Commission would be reflected in its report to the Council. In this connection, it would seem desirable to avoid two parallel reports on the implementation of the System-Wide Action Plan, one through the Commission and one through ACC.

8. In view of the fact that any report to the General Assembly would also cover the preceding calendar year, and in order to avoid duplication of documentation, there might be an advantage in making the two reports prepared by UNDCP for the Commission on Narcotic Drugs available to the Assembly together with a brief combined report by the Secretary-General on action taken at both the Commission and the Economic and Social Council with respect to the implementation of both the Global Programme of Action and the System-Wide Action Plan. ACC could forward such comments as it deems appropriate on the basis of the report which was before the Commission.

II. ACTION BY LEGISLATIVE AND OTHER BODIES

9. This section reflects resolutions and decisions adopted during 1992 by legislative and other bodies in the United Nations system as reported to UNDCP.

A. International Narcotics Control Board

10. The International Narcotics Control Board held three sessions during 1992 (fifty-first to fifty-third). At its fifty-first session in January 1992, the Board adopted a report (E/CN.7/1992/2) on the implementation of article 12 of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (1988 Convention) (E/CONF.82/15 and Corr.2), containing an assessment of 10 substances for possible inclusion in Table I

or II of that Convention. The Commission on Narcotic Drugs later took certain decisions on the basis of that assessment (see para. 13 below).

11. At its fifty-second session in May 1992, the Board adopted 44 decisions, of which 15 related to the licit movement of narcotic drugs and psychotropic substances, 5 concerned the control of precursors, 3 dealt with the non-medical use of drugs, 2 related to supply of and demand for opiates for medical and scientific needs, 7 concerned the overall drug control situation in specific countries, 7 related to the format or contents of documents and publications of the Board, and 5 addressed internal administrative matters.

12. At its fifty-third session in November 1992, the Board approved a further 25 decisions, of which 15 related to the licit movement of narcotic drugs and psychotropic substances, 6 concerned the movement of precursors, 2 related to documents and publications of the Board, and 2 concerned the report to the Commission on the implementation of article 12 of the 1988 Convention.

B. Commission on Narcotic Drugs

13. At its thirty-fifth session in April 1992 (see E/1992/25), the Commission on Narcotic Drugs adopted 13 resolutions concerning aspects of the Global Programme of Action, matters relating to international cooperation or coordination, or internal administrative issues. Four resolutions addressed control of illicit supply (resolutions 2 (XXXV), 3 (XXXV), 5 (XXXV) and 6 (XXXV)); one each concerned suppression of illicit trafficking (resolution 8 (XXXV)), money-laundering (resolution 1 (XXXV)), the United Nations Decade against Drug Abuse (resolution 7 (XXXV)), and cooperation between the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice (resolution 11 (XXXV)); and four resolutions on administrative matters related to the operation of UNDCP and the budget of the Fund of UNDCP. Furthermore, the Commission adopted five decisions, three of which concerned the working of its subsidiary bodies and two of which related to the international control of 10 substances under the provisions of the 1988 Convention. The Commission approved also three draft resolutions for submission to the Economic and Social Council.

C. Commission on Crime Prevention and Criminal Justice

14. At its first session in April 1992 (see E/1992/30), the Commission on Crime Prevention and Criminal Justice approved two draft resolutions for submission to the Economic and Social Council.

D. Economic and Social Council

15. At its substantive session of 1992, the Economic and Social Council adopted three resolutions related to drug control on the recommendation of the Commission on Narcotic Drugs: one related to the prevention of diversion of precursors (resolution 1992/29), another to the need to balance demand for and supply of licit opiates (resolution 1992/30), and the third to the functioning of the Commission's subsidiary bodies (resolution 1992/28). Two other resolutions were adopted by the Council on the recommendation of the Commission

on Crime Prevention and Criminal Justice: one requested that Commission to cooperate closely, inter alia, with the Commission on Narcotic Drugs in order to increase the efficiency and effectiveness of United Nations activities in areas of mutual concern and to ensure proper coordination and avoidance of possible duplication (resolution 1992/22, sect. IV), and established priority themes for the Commission's work involving, inter alia, transnational crime, organized crime and economic crime, including money-laundering (ibid., sect. VI); the other dealt with organized crime (resolution 1992/23).

E. International Civil Aviation Organization

16. At its twenty-ninth session in October 1992, the Assembly of the International Civil Aviation Organization (ICAO) adopted resolution A29-16 related to the prevention of substance abuse in the workplace. In the resolution the Assembly declared strong support for making and maintaining civil aviation workplaces free of substance abuse and urged the ICAO Council to develop and publish guidance material for that purpose.

F. General Assembly

17. At its forty-seventh session, the General Assembly adopted six resolutions which directly addressed the question of international drug abuse control: two related to the status of international action to combat drug abuse and illicit trafficking (resolutions 47/97 and 47/99); and one each concerned suppression of illicit drug traffic (resolution 47/102), respect for the principles enshrined in the Charter of the United Nations and international law in the fight against drug abuse and illicit trafficking (resolution 47/98), the operation of UNDCP (resolution 47/101), and the implementation of the United Nations System-Wide Action Plan on Drug Abuse Control (resolution 47/100).

18. Three other resolutions adopted by the General Assembly were relevant to international drug control. In resolution 47/73 B of 14 December 1992, the Assembly called upon the Secretary-General to ensure that the Department of Public Information continues to disseminate, in coordination with the information services of other relevant agencies, information about United Nations activities pertaining to international efforts against drug abuse and illicit drug trafficking. In resolution 47/185 of 22 December 1992, adopted with respect to the United Nations Conference on Trade and Development, the Assembly reiterated its conviction that more stable and predictable market conditions for commodities would be conducive to the social and economic development of developing countries and could, inter alia, contribute to the international campaign against the illicit production of, trafficking in and abuse of narcotic drugs. The third resolution aimed at ensuring the proper coordination of the Commission on Crime Prevention and Criminal Justice with the Commission on Narcotic Drugs (resolution 47/91).

III. SYSTEM-WIDE ACTIVITIES

A. Prevention and reduction of illicit drug demand

1. United Nations International Drug Control Programme

19. UNDCP has been developing its demand reduction activities and capacity to respond to the needs of Member States for advice and demand reduction interventions.

20. In 1992, UNDCP continued assisting national drug testing laboratories by: (a) continuing to establish recommended methods for testing body fluids in the laboratory of UNDCP; (b) preparing working manuals on such methods, which will be made available to national testing laboratories; (c) collecting and distributing relevant reference standards of drugs and metabolites (over 900 samples were provided to 44 countries at their request); (d) providing fellowships in body fluids testing techniques to 11 fellows from 10 countries at five collaborating institutions; and (e) organizing the Consultative Meeting on Quality Assurance and Good Laboratory Practices, which was held at Glasgow, United Kingdom, in November 1992.

21. Position papers were prepared on demand reduction principles and strategy, drug abuse and human immunodeficiency virus (HIV), and conduct of rapid assessment of drug abuse situations in countries. Questionnaires required under treaty obligations as well as General Assembly and Economic and Social Council resolutions were consolidated into one questionnaire in order to facilitate reporting from Member States.

22. An Expert Group on Assessing Drug Abuse and on Strategies for Prevention and Reduction of Drug Abuse met at Vienna from 16 to 18 November 1992 and made recommendations that were submitted to the Commission on Narcotic Drugs at its thirty-sixth session.

23. In order to improve the quality of reporting for African States to the International Drug Abuse Assessment System (IDAAS), UNDCP:

(a) Conducted three one-week training programmes in data collection for UNDCP questionnaires in 1992;

(b) Trained four future trainers from African States in the methodology of conducting such courses;

(c) Produced 15 Country Drug Profiles based on official information available to UNDCP on extent, patterns and trends of drug abuse.

24. Four workshops were jointly conducted by UNDCP and the World Health Organization (WHO) on drug abuse epidemiology (including HIV infections) for successor States to the former Union of Soviet Socialist Republics and countries of Eastern Europe.

25. In 1992, UNDCP financed the following activities:

(a) Preventive education programmes in Afghanistan, India, Pakistan and Sri Lanka as components of drug demand reduction projects;

(b) A new demand reduction project in Malaysia;

(c) An evaluation of UNDCP assistance to drug abuse education in Myanmar;

(d) Various activities aimed at reducing drug demand in Bolivia, Chile, Costa Rica, Colombia and Venezuela;

(e) Two projects in Bolivia on street children in urban areas and others on preventive education campaigns in schools and through the mass media;

(e) Seven projects in Africa (Egypt, Ghana, Kenya, Mauritius, Nigeria, Senegal and United Republic of Tanzania), on prevention of drug abuse which included education campaigns, targeting particularly vulnerable groups within the population, the involvement of teachers and social workers;

(f) Training courses for professionals with responsibility for demand reduction in Africa;

(g) A study for the Economic and Social Commission for Western Asia (ESCWA) on the nature and extent of drug abuse among the youth in the West Asia region.

2. Specialized agencies

26. The International Labour Organisation (ILO) developed and launched two projects on drug and alcohol abuse prevention: one concentrating on workers and their families in five countries of five different regions (with WHO and UNDCP); the other focusing on the maritime industry (with UNDCP). ILO also organized or co-sponsored four national seminars on workplace initiative, two international and three national workshops on prevention and assistance programmes on drug- and alcohol-related problems of the workplace and one interregional tripartite meeting of experts on drugs and alcohol in the maritime industry.

27. The Food and Agriculture Organization of the United Nations (FAO) dealt with drug abuse prevention in the context of rural development and developed a project idea for a development support communication strategy to empower rural and socially remote youth in their fight against drug use.

28. The United Nations Educational, Scientific and Cultural Organization (UNESCO) and the European Economic Community launched a joint project entitled "Network of information on preventive education against drug abuse". Within the framework of that project, an international directory of institutions and professionals active in education for the prevention of drug abuse, an annotated bibliography and a newsletter on preventive education would be published in English, French and Spanish. UNESCO also participated in projects of drug preventive education in Latin America, the eastern Caribbean, Ghana and Senegal

(with UNDCP) and published four studies and research/teacher's guides on drug abuse prevention.

29. ICAO is establishing a study group of national experts to assist in the development of material to provide guidance on prevention of substance abuse in the civil aviation workplace.

30. WHO initiated three projects on cocaine abuse (with the United Nations Interregional Crime and Justice Research Institute), projects on the revision of the WHO Manuals on Drug Abuse Epidemiology and the prevention of substance abuse in small island States and a preliminary research project on drugs and sports. A project on the prevention of abuse of violative substances by out-of-school and street children was implemented in seven core countries: Brazil, Egypt, Honduras, India, Mexico, the Philippines and Zambia. At the request of the Bolivian Government, a national demand reduction plan was prepared, in close cooperation with UNDCP and UNESCO. WHO served as executing agency for UNDCP-funded demand reduction projects in Brazil and Sri Lanka. Furthermore, WHO prepared a position paper on its approach to demand reduction as a contribution to the United Nations Inter-Agency Meeting on Coordination in Matters of International Drug Abuse Control as well as audio-visual presentations on the prevention of alcohol and drug abuse for use in primary health care settings.

3. Regional commissions

31. The Caribbean subregional Office of the Economic Commission for Latin America and the Caribbean (ECLAC) completed a project on illicit drug demand reduction in Grenada and convened a seminar and workshop on the prevention of drug addiction at Santiago. The Economic and Social Commission for Asia and the Pacific (ESCAP) continued preparatory activities for the ESCAP-UNDCP project on reduction in the demand for and local consumption of narcotics in the border area and began preparations for a possible extrabudgetary project to follow the integrated community-based approaches to drug abuse demand reduction.

32. Four papers were prepared by the ESCAP secretariat for the meeting of senior officials on strengthening of the regional network of national focal points on drug abuse demand reduction. A paper entitled "Community-based approaches to control of demand for abused drugs" was prepared by ESCAP for the UNDCP Technical Consultation on Drug Issues in Southwest Asia. Within the framework of a project on the development of integrated community-based approaches to drug abuse demand reduction, three training courses and one pilot planning workshop were held.

33. ESCWA completed a study on the impact of drug abuse among youth in the region and published a study entitled "Review and appraisal of national policies and programmes for drug abuse control in countries of the ESCWA region".

4. Other United Nations bodies

34. The health programmes of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in Jordan, Lebanon, the Syrian Arab Republic and the occupied territories of the West Bank and Gaza Strip initiated public information campaigns on the dangers of intravenous drug abuse, the sharing or re-use of needles and their relationship to contracting the HIV virus. A course aimed at combating drug abuse in Ghafat Camp in the West Bank was held jointly by UNRWA and a local non-governmental organization in July/August 1992.

35. The International Research and Training Institute for the Advancement of Women (INSTRAW) collaborated with the United Nations Interregional Crime and Justice Research Institute (UNICRI) in the working group of the project "The role of women in drug abuse preventive education in Mediterranean countries".

36. UNICRI implemented a project on drug abuse prevention in Hungarian schools aimed at training social operators. A three-volume handbook, focusing on the prevention of deviant and disruptive behaviour, was produced for police officers training courses. Two issues of the Drug Abuse Comprehensive Centre bulletin were issued on the occasion of European Drug Prevention Week.

37. A one-week subregional workshop on drug abuse was organized by UNICRI for Central European countries, in collaboration with the Commission of the European Community. The workshop provided an overview of national demand reduction issues so as to facilitate the identification of countries' needs and priorities. The Drug Abuse Comprehensive Centre of UNICRI also organized a subregional workshop on drug demand reduction and epidemiology in Rome and a workshop on drug abuse prevention and treatment activities in Bratislava, Slovakia.

B. Treatment, rehabilitation and social reintegration of drug abusers

1. United Nations International Drug Control Programme

38. UNDCP prepared an analysis of information furnished by Governments on treatment and rehabilitation. It also financed treatment and rehabilitation activities in India, Pakistan, Sri Lanka and Thailand. Two projects concentrated on improving treatment and rehabilitation services for drug users in Brazil and Colombia, and three projects for treatment and/or rehabilitation, including training of personnel working with drug addicts, were under way in Mauritius, Nigeria and Zimbabwe.

2. Specialized agencies

39. ILO implemented a project on the establishment of resource centres for rehabilitation, workplace initiative and community action on drugs and alcohol. Funded by ILO and the Government of Norway, such resource centres became fully operational in five African countries. Phase III of research on addiction rehabilitation programmes was completed and case studies were carried out in

10 countries. The ILO/UNDP Asian programme on community drug rehabilitation completed the development of demonstration programmes in India, Nepal, Pakistan and Sri Lanka. ILO also cooperated with UNDCP in three rehabilitation programmes for drug addicts in Myanmar, Thailand and Zimbabwe. ILO prepared a report on the Asian Programme on Community Drug Rehabilitation and a report of the ILO/UNDCP/International Forum of Non-Governmental Organizations training course on manpower development in addiction rehabilitation and aftercare in Malaysia. ILO also organized five national seminars on drug rehabilitation in Africa, two training courses in India and Malaysia, a regional workshop in India and two review meetings in Nepal and Thailand on the above-mentioned projects. A national conference on workplace initiative and drug rehabilitation was organized and held at Gaborone.

40. WHO completed the development phase of a project on assessing the quality of care in substance abuse treatment programmes. An overview of the main approaches to substance abuse treatment was prepared in the form of a global report under the project on a drug abuse treatment inventory and mapping the treatment response. WHO also collected legislation from some 60 countries within the framework of a project on policies and legislation concerning treatment and rehabilitation aimed at determining how such policies and legislation either facilitated or impeded demand reduction efforts in drug and alcohol prevention, treatment, harm reduction and rehabilitation of drug problems. WHO also published schedules for the assessment of standards of care in drug abuse treatment and organized the twenty-eighth meeting of the Expert Committee on Drug Dependence.

3. Other United Nations bodies

41. UNICRI organized or participated in two training workshops that dealt partly with treatment activities and in the first National Conference of the Italian Society for the Study of Dependence and Abuse-Related Behaviour.

C. Control of supply of narcotic drugs and psychotropic substances

1. Eradication and substitution of illicit supply

(a) United Nations International Drug Control Programme

42. UNDCP implemented four alternative rural development projects in Thailand and five projects in the Lao People's Democratic Republic aimed at the elimination of opium poppy cultivation through sustainable agricultural production. The Dir District Development Project in Pakistan, which focuses on infrastructure development to provide communities in the poppy growing valleys with improved roads, irrigation, livestock, sanitation and drinking water supplies, recorded significant activity.

43. A key objective in 1992 was the consolidation of 16 alternative development projects in the Andean region (Bolivia, Colombia and Peru) and Mexico. Activities included agricultural diversification, the development of new product

marketing systems, the construction of roads, the electrification of rural areas, community development, and health and education programmes.

44. As a follow-up to the recommendations of the 1989 Expert Group Meeting on Environmentally Safe Methods for the Eradication of Illicit Narcotic Plants, testing protocols for field trial studies were elaborated and reviewed by a panel of experts that met at Vienna in December 1992.

45. The first phase of a crop substitution project in Morocco, the only one of its nature in Africa, with the aim of providing farmers with alternative incomes and an improved standard of living, was completed in December 1992.

46. Following the recommendations of the UNDCP fact-finding mission (May 1992), an inter-agency illicit crop mission composed of representatives from UNDCP, FAO, UNDP and ESCWA was fielded to Lebanon in October 1992 to assess the situation and requirements for the sustainable eradication of illicit crops in the Bekaa region.

(b) Specialized agencies

47. FAO assisted in the preparation of agricultural or forest resources development projects in Bolivia, Lebanon and Myanmar. FAO's Remote Sensing Centre was involved in activities aimed at refining the satellite imagery technology and ground verification procedures related to the detection of poppy production. This project, funded by UNDCP, was executed in three major producing areas of Afghanistan.

48. The United Nations Industrial Development Organization (UNIDO) completed a technical assistance project in Guatemala on the development of technological capacities for small-scale industries based on medicinal and aromatic plants. Another project on essential oils in Viet Nam was extended to a pilot project for crop substitution in an ethnic minority area. Similar crop substitution projects focusing on medicinal and aromatic plants were developed in India, Madagascar, Turkey and Viet Nam. A group training programme on the industrial utilization of medicinal and aromatic plants was held in Turkey for participants from developing countries.

49. The World Bank prepared several studies in which the macroeconomic effects of the coca industry were analysed. Those studies were of direct relevance to the launching of alternative development strategies in most affected countries such as Bolivia and Peru.

50. The International Fund for Agricultural Development (IFAD) co-financed with UNDCP a project in the northern part of the Lao People's Democratic Republic and separate subprojects for community development in a high opium producing district and for rural roads.

(c) Regional commissions

51. ESCWA completed a social and economic survey on a selected region in Lebanon where illicit substances were being produced. The survey served as a background for the preparation of a study on the eradication of illicit opium, poppy and cannabis crops in Lebanon, which was published in 1992.

(d) Other United Nations bodies

52. The International Trade Centre (UNCTAD/GATT) implemented a project entitled "Plan of action for the development of crop substitution for coca leaves in the Andean region", carried out studies on alternative crops in Bolivia, Colombia, Ecuador and Peru and prepared a special report on market access to the European Economic Commission and the United States for selected products from the Andean region.

2. Licit production, manufacture and supply and prevention of the diversion of precursors

(a) United Nations International Drug Control Programme

53. During 1992, the International Narcotics Control Board:

(a) Continued monitoring the licit movement in narcotic drugs and psychotropic substances and Governments' control over precursors and essential chemicals;

(b) Undertook missions to Albania, Argentina, Ireland, Israel, Morocco, Nepal, the Netherlands, Nigeria, Poland, Saudi Arabia, Sri Lanka, Sweden, Switzerland and the United States of America to discuss drug control and related matters;

(c) Published its annual report and two technical addenda on narcotic drugs and psychotropic substances and a report on the implementation of article 12 of the 1988 Convention and documents for the three sessions of the Board in 1992;

(d) Organized three sessions of the Board (January, May and November 1992); three training seminars for national drug control administrators in Asia (Beijing), in the South Pacific and Oceania (Melbourne, Australia) and in Africa (Abidjan); the first two meetings of the working group on draft guidelines for use by national authorities in preventing diversion of precursors and essential chemicals (February and September 1992, Vienna); and informal consultations between the major producers and importers of opiate raw materials (April 1992);

(e) Participated in and/or contributed to seven seminars or meetings organized by WHO, ICPO/Interpol and several regional organizations.

54. The UNDCP laboratory, in collaboration with WHO, extended training programmes in drug testing methods to pharmaceutical preparations containing controlled drugs. To assist national pharmaceutical and narcotic control authorities, the new edition of the Multilingual Dictionary of Narcotic Drugs and Psychotropic Substances under International Control was made available.

55. A regional workshop on measures to enhance cooperation between drug law enforcement officers and administrators in charge of the control of licit drugs was held at Riyadh in December 1992 with the participation of UNDCP, WHO, the Customs Cooperation Council and the Drug Enforcement Administration of the

United States of America. In discussions held at Geneva during September 1992, UNDCP and WHO agreed to organize jointly a technical consultation on parallel distribution systems for narcotic drugs and psychotropic substances.

56. A one-year project document was signed in July 1992 for assistance in the fields of illicit crop monitoring and control of prescription drugs in Turkey.

(b) Specialized agencies

57. The WHO Programme on Substance Abuse initiated or developed a project on international control of dependence-producing substances, a project aimed at strengthening the existing post-marketing surveillance system with respect to abuse-related adverse drug reactions, and a study (in collaboration with the Addiction Research Foundation) on the influence of regulatory control on the use and abuse of benzodiazepines in Chile. A support programme to strengthen a quality control laboratory in Benin was initiated, and workplans for Ethiopia, Mozambique and Nigeria were developed.

58. UNIDO organized the training of nine scientists from developing countries in methods of detecting and estimating narcotic drugs and psychotropic substances in counterfeit drugs during a group training course on medicinal plants held in Turkey.

D. Suppression of illicit trafficking

1. United Nations International Drug Control Programme

59. During 1992, UNDCP:

(a) Continued work on texts for the common law system, especially on the confiscation of drug trafficking proceeds;

(b) Carried out fact-finding missions to Bulgaria, Hungary, India, Lebanon, Myanmar, Nepal and the Syrian Arab Republic;

(c) Held a subregional law enforcement strategy meeting with representatives of China, the Lao People's Democratic Republic, Myanmar and Thailand;

(d) Provided technical advice for five projects in Africa, Latin America and the Caribbean and one in the Near East;

(e) Started a project with the Customs Cooperation Council and Interpol to standardize seizure reports;

(f) Carried out scientific and technical assistance projects in Africa and the Caribbean, as well as in China, Colombia and India and developed similar assistance for Balkan route countries and the Baltic States;

(g) Provided laboratory equipment, materials and chemicals to national drug control laboratories in 39 countries;

(h) Continued efforts to decentralize training of scientists in illicit traffic through three regional training centres and 12 collaborating institutions in seven countries. By the end of 1992 49 fellows from 38 countries had received training;

(i) Organized a Consultative Meeting of the Chiefs of National Narcotics Laboratories in West Africa, held at Lomé in October 1992, a Consultative Meeting on Chemical Characterization and Profiling of Natural, Semi-Synthetic and Synthetic Drugs, held at Vienna in November 1992, and a ministerial-level conference at the twenty-ninth session of the Subcommission on Illicit Drug Traffic and Related Matters in the Near and Middle East, held at Tehran in October 1992, the report of which was published;

(j) Provided drug control and law enforcement agencies in Brazil, Colombia, Ecuador and India with laboratory, communication and surveillance equipment and financed or organized training courses and workshops for law enforcement officials in those countries as well as for customs officials and forensic laboratory staff in the Caribbean;

(k) Approved two new projects, one aimed at training forensic chemists and toxicologists in China in laboratory methods of drug analysis, and one to train customs and police officers in Malaysia in order to deal effectively with illicit drug trafficking;

(l) Designed and/or implemented projects, in the context of the Regional Balkan Route Programme, aimed at improving operational results at the national level and interregional cooperation through the provision of training and logistical aid to police and customs officers in Bulgaria, the former Czechoslovakia, Greece, Hungary, Poland and Turkey. A regional laboratory project included those countries, Albania and Romania.

2. Specialized agencies

60. The Universal Postal Union (UPU), organized a training course on the postal security, which was held at Nairobi and which included lectures on drugs.

3. Regional commissions

61. At its seventy-third session, in July 1992, the Economic Commission for Europe Working Party on Customs Operations affecting Transport continued a confidential exchange of intelligence on abuse of existing customs transit systems by drug smugglers. Particular attention was paid to traffic on the Balkan route and to the increasing occurrences of smuggling in European East-West traffic.

4. Other United Nations bodies

62. UNICRI implemented two cocaine follow-up subprojects: one on the evaluation and standardization of analytical methods for comparative analysis of cocaine samples seized in illicit traffic; and the other on cocaine markets and

law enforcement aimed at reporting on the interaction between law enforcement agencies and cocaine traffickers. In this context, UNICRI also organized the fourth meeting of the Steering Committee on cocaine follow-up and a meeting of international experts on cocaine markets and law enforcement.

E. Money laundering

63. UNDCP undertook activities that were closely coordinated with those of the Financial Action Task Force, aimed principally at assisting States in introducing legislation for effective financial investigation and in improving capabilities of investigators of money laundering. UNDCP participated in meetings held at Bangkok, Moscow and Vancouver, Canada, to establish cooperation with participating Governments as well as with other international organizations.

F. Strengthening of judicial and legal systems, including law enforcement

1. United Nations International Drug Control Programme

64. In 1992, UNDCP:

(a) Provided legal assistance to 41 States so as to facilitate the establishment of the necessary legal and administrative infrastructure to become party to and effectively implement the international drug control conventions, particularly the 1988 Convention;

(b) Provided legal advice to 10 States through evaluation and planning missions;

(c) Elaborated legislation for nine States and one regional organization and provided assistance in adopting the harmonized legislation to the 11 States of that regional organization;

(d) Prepared model legislation for pharmaceutical control and penal codes for different legal systems. Texts for the Romano-German legal system were completed and translated into five languages;

(e) Organized legal workshops to assist States in identifying limitations of their legal capacity to fully implement the drug control conventions as well as the measures needed to overcome those limitations, including:

(i) Organized a workshop in collaboration with the Colombo Plan and the Commonwealth Secretariat, held at Bangkok in October 1992, which brought together senior judges, prosecutors and investigators from 23 countries;

(ii) Organized a workshop in collaboration with the French Government for prosecutors from 10 countries, held at Fort de France, Martinique;

(iii) Organized a workshop for specialists from two Portuguese-speaking countries in West Africa, held at Lisbon in October 1992.

65. The secretariat of the Commission on Narcotic Drugs organized three regional meetings of Heads of National Drug Law Enforcement Agencies in Africa (Nigeria), Asia and the Pacific (Thailand) and Latin America and the Caribbean (Mexico).

2. Other United Nations bodies

66. The Crime Prevention and Criminal Justice Branch of the Secretariat promoted the use of model treaties adopted by the General Assembly, for example, the Model Treaty on Extradition (General Assembly resolution 45/116, annex, of 14 December 1990) and the Model Treaty on Mutual Assistance in Criminal Matters (Assembly resolution 45/117, annex, of the same date). It also provided assistance to Member States in the formulation and implementation of such treaties and in enabling legislation. By supporting the more efficient management of criminal justice systems, the Branch reinforced the capacity of States to deal with transnational forms of crime, such as illicit drug trafficking.

G. Measures to be taken against the diversion of arms and explosives and illicit traffic by vessels, aircraft and vehicles

1. United Nations International Drug Control Programme

67. At its thirty-fifth session, the Commission on Narcotic Drugs considered measures for combating illicit traffic by sea and recommended that UNDCP coordinate its activities in that field with the International Maritime Organization (IMO) in order to implement the guidelines elaborated by that organization for the prevention of drug smuggling on ships.

2. Specialized agencies

68. At its 1992 session, the ICAO Assembly agreed that the relevant provisions in the technical annexes to the Convention on International Civil Aviation were adequate for the purpose of the prevention of illicit traffic. States should continue their efforts to prevent illicit trafficking of drugs by air and take appropriate legislative measures to ensure that the crime of illicit transport of narcotic drugs and psychotropic substances was punishable by severe penalties. States should also become parties, as soon as practicable, to the 1988 Convention.

H. Multisectoral activities

69. As outlined in the Global Programme of Action and the Comprehensive Multidisciplinary Outline of Future Activities in Drug Abuse Control as well as in General Assembly resolution 47/100, goals and targets aimed at an extension

of the United Nations activities in all sectors of drug abuse control. Therefore, only joint and cross-sectoral action, including drug control masterplan approaches, could achieve the objectives of a global United Nations drug control policy.

70. Working towards that goal, UNDCP, in 1992:

(a) Provided assistance to 11 Andean and Central American countries and to the Lao People's Democratic Republic and Viet Nam for the elaboration of drug control masterplans;

(b) Began work on two interregional projects for joint programmes in drug abuse prevention, trafficking and reduction of opium poppy cultivation under the interregional strategy for Southeast Asia;

(c) Continued work on the Drug Control and Rural Rehabilitation Project in Afghanistan, financed by UNDCP and executed by the UNDP Office for Projects Services, which included activities related to the reduction of opium poppy cultivation and preventive education and treatment of drug addicts, the latter primarily in the Afghan refugee camps in Pakistan;

(d) Organized a technical consultation on drug issues, held at Islamabad in September 1992, to conceive effective strategies, methodologies and operational modalities for tackling drug-related problems in Southwest Asia;

(e) Held a technical consultation on drug control assistance at Beirut in October 1992, which included Lebanese officials, representatives of bilateral and multilateral donors, non-governmental organizations and observers from neighbouring countries;

(f) Revised its training strategy to ensure coherence of actions and coordination in a more harmonized training approach within UNDCP and across the United Nations system;

(g) Participated in a tripartite group meeting - UNDCP/Customs Cooperation Council/Interpol, held at Brussels in August 1992, to discuss the assessment of training needs of Balkan route countries with a view to developing a coordinated training programme for that subregion;

(h) Fielded fact-finding missions to seven countries of the Commonwealth of Independent States (April/May 1992), three Baltic States (May/June 1992), the Syrian Arab Republic and Yemen (May and November 1992) and several Pacific island States (November/December 1992).

IV. COOPERATION AND COORDINATION OF ACTIVITIES

71. In 1992, UNDCP implemented its coordination objectives in accordance with the mandate entrusted to it by the General Assembly in its resolution 45/179. ACC served as a platform to achieve increased coordination. On drug control issues, ACC works through the Inter-Agency Meeting on Coordination in Matters of International Drug Abuse Control.

72. Two ad hoc Inter-Agency Meetings on Coordination in Matters of International Drug Abuse Control were held during 1992, their major issue being the necessity of strengthening coordination of all United Nations drug control activities in the light of growing recognition of the negative impact of drugs in the process of economic development. United Nations entities were invited to play a more active role in the various aspects of the drug abuse problem, to make drug control one of the permanent parts of their policy and to further coordinate their activities with those of UNDCP.

73. The United Nations System-Wide Action Plan on Drug Abuse Control was reviewed. At the April meeting, participants were requested to communicate to UNDCP their comments on the revised Plan. In September a further revised text of the Plan was introduced, containing a new chapter on multisectoral activities, based on contributions from the agencies. It was agreed that the Plan should be regularly reviewed in future and that its final text should be submitted to the Commission on Narcotic Drugs at its thirty-sixth session in 1993.

74. Other issues discussed in the inter-agency meetings were the United Nations Decade against Drug Abuse and the International Day against Drug Abuse and Illicit Trafficking, inter-agency collaboration on demand reduction programmes, review of the draft report of the Secretary-General on international cooperation in drug abuse control, and selection of substantive themes to be considered by future meetings.

75. In addressing matters related to the Decade, the meeting underscored, inter alia, the importance of timely distribution of information material, particularly in developing countries, the usefulness of visual presentations on drug abuse control, the need to strengthen cooperative ties with non-governmental organizations, and the potential for supportive and preventive work among refugees and returnees.

76. Regarding annual themes for the observance of the International Day against Drug Abuse and Illicit Trafficking, it was suggested that broad topics should be selected in order to permit the largest possible number of agencies to participate, taking into account their respective mandates.

77. While the need for intensified measures for demand reduction was emphasized, there was unequivocal recognition that coping effectively with the drug abuse phenomenon required a comprehensive, balanced and multidisciplinary approach that addressed all aspects of drug abuse and illicit trafficking. In that regard, a draft demand reduction strategy prepared by UNDCP was considered at the Inter-Agency Meeting.

78. At the operational level, UNDCP established a constructive working relationship with ILO and WHO, which resulted in a tripartite arrangement for a multi-year programme on drug abuse prevention in the workplace.

79. The UNDCP priority objective of forging operational alliances with other relevant United Nations entities led to innovative initiatives such as the convening of two technical consultations aimed at nurturing dialogue among the donor community, international agencies and Governments with a view to

addressing drug problems in a particular country or region, for instance in Afghanistan and Lebanon.

80. Within the framework of the United Nations Decade against Drug Abuse, two seminars were organized: a joint UNDCP/WHO seminar on craving mechanisms and a seminar on the socio-economic and political impact of the production, trade and use of illicit narcotic drugs in collaboration with the United Nations University and United Nations Research Institute for Social Development. UNDCP also coordinated training plans with the Crime Prevention and Criminal Justice Branch, and one joint field mission of legal assistance was conducted in 1992. Those activities focused on areas of mutual legal assistance involving such specific topics as extradition and the development of joint model legislation to provide the legislative foundation for concluding bilateral or regional model treaties for international cooperation.

81. With regard to the other areas of multilateral cooperation identified in the Global Programme of Action, the complementary roles of UNDCP and international financial institutions with regard to the drug issue had been generally accepted by all parties, including donors and recipients.

82. The International Monetary Fund singled out the drug problem as one of five global priorities. The World Bank, in focusing on poverty reduction and on the alleviation of social problems at the grass-roots level, opened new avenues for cooperation between financial institutions and United Nations entities with experience in the social field. A recent preparatory mission carried out by UNDCP and the Inter-American Development Bank (IDB) marked the first step towards the joint development and execution of drug-related plans and programmes in countries with major drug problems. IDB recently invited UNDCP to participate in a planned country-wide environmental programme in Colombia.

83. The World Bank prepared several studies that analysed macroeconomic effects of the coca industry and thus were relevant to the launching of alternative development strategies in the most affected countries.

84. The increased multilateral activities in the field of drug control were reflected in the fact that UNDCP was invited to participate in the consultative group meetings sponsored by the World Bank for countries with major drug problems. Furthermore, the World Bank and the European Community accepted the invitation of UNDCP to prepare jointly a study on the impact of the drug economy in Pakistan. With regard to Lebanon, where UNDCP was about to launch a major programme, it had been agreed with the Bank that close contacts would be maintained in order to avoid duplication.

85. The debt crisis was likely to remain a severe hindrance to development, particularly in the poorest countries, for years to come. That fact, together with the now generally recognized relationship between drug trafficking and poverty, on the one hand, and alternative development and debt reduction and trade opportunities, on the other hand, led UNDCP to develop the innovative concept of swapping debt for alternative development. That concept was considered by the Commission on Narcotic Drugs at its thirty-fifth session and would be the subject of further study by UNDCP. If put into practice by a number of debtor and creditor countries, the concept could help alleviate the debt burden, accelerate overall development via alternative development and

reduce the supply of illicit drugs, thereby contributing to global efforts to fight the drug problem.

86. Contacts were pursued also with the Customs Cooperation Council and UPU for planning and interventions aimed at upgrading the skills of customs and postal officials dealing with drug smuggling. In that respect, UNDCP funded an expert meeting which the Council held in Kenya.

87. The WHO Programme on Substance Abuse had continuously attempted to strengthen working contacts with other United Nations entities, particularly UNDCP. It collaborated with the International Narcotics Control Board on a regular basis and attended Board sessions. Other collaborating organizations in 1992 included ILO, UNDP, UNESCO, UNHCR, UNICEF, UNICRI and the World Bank.

88. UNHCR developed a close working relation with the WHO Programme on Substance Abuse. UNESCO cooperated in the implementation of the International Programme of Education against Drug Abuse project for the Andean region with UNDCP.

89. ESCAP continued discussions with UNDCP concerning the development of the project on the development of integrated community-based approaches to drug abuse demand reduction.

90. The United Nations Research Institute for Social Development and the United Nations University were jointly carrying out a research programme on the socio-economic and political impact of production, trade and use of illicit narcotic drugs.

91. UNICRI cooperated in the framework of the Steering Committee on Cocaine Follow-up with UNDCP, WHO and Centre for Human Rights of the United Nations Office at Geneva. Collaboration with UNESCO was also under way in connection with "The role of women in drug abuse preventive education in Mediterranean countries".

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MAINTENANCE OF INTERNATIONAL SECURITY

RIGHT OF PEOPLES TO SELF-DETERMINATION

HUMAN RIGHTS QUESTIONS

Letter dated 18 August 1993 from the Permanent Representative of Equatorial Guinea to the United Nations addressed to the Secretary-General

On instructions from my Government, I have the honour to transmit herewith a communication from the Government concerning the events that occurred on Annobón Island (Equatorial Guinea) last Saturday, 14 August (see annex).

I should be grateful if you would have this letter and its annex circulated as an official document of the General Assembly under items 80, 109 and 115 of the provisional agenda.

(Signed) Dámaso OBIANG NDONG
Ambassador
Permanent Representative

* A/48/150.

ANNEX

Communication from the Government of Equatorial Guinea concerning the events that occurred on Annobón Island on 14 August

It is with deep regret that the Government of the Republic of Equatorial Guinea informs the people of Equatorial Guinea and international public opinion of the sad events that occurred on Annobón Island in the early hours of the morning of 14 August last, when a group of individuals led by Liberato Segura, Orlando Cartagena, Joaquín Ronda Tomé, Narciso Villalba, Diosdado Ballovera, José Barril Camara, Javier Menejal Pelayo, Leoncio Medina Ballovera, Antonio Segorbe, Antonio Garriga Manresa and other islanders, nationals of Equatorial Guinea, forced their way by surprise into the official residence of the Governor of that province, Mr. Marcos Ondo Nze, who was in the company of the military chief, Lieutenant Marcelino Mesi. Both men were disarmed and taken captive and the two pistols that they carried for personal defence were seized.

Keeping the two hostages gagged at the scene of their capture, they took the two pistols and made their way to the military barracks, intending to mount an assault and seize weapons.

Faced with the hostile group of assailants, the military sought to dissuade them from their purpose; instead of yielding, the assailants opened fire on the garrison with the pistols they had seized, provoking an exchange of gunfire which unfortunately cost the lives of two of the assailants, nationals of Equatorial Guinea.

On repulsing the attack and bringing the situation under control, the military arrested five of the assailants and led them subsequently to the place where the two officials were being held captive.

The Governor and the military chief, severely injured as a result of torture, were released and admitted to the local hospital in serious condition. The former was subsequently transferred to Bata Hospital.

On hearing of these events, the people of Annobón flocked to the local hospital to express strong disapproval and condemnation of the assailants' actions. They made it clear that the people of Annobón were not in sympathy with the hostage-takers, since they had arrived on the island from Malabo with the last boat and were a group whose agenda did not correspond to the real feelings of the Annobón people, whom they had told that their subsequent actions would all be directed towards improving the island's situation because they were activists of opposition political parties and were backed by certain diplomatic missions, including the Embassy of Spain.

The Government of the Republic of Equatorial Guinea expresses solidarity with our brother islanders and condemns the conduct of the elements who perpetrated such acts; it extends its sympathy to the bereaved families and shares the grief of the entire nation, reaffirming its determination to ensure that peace, order, good fellowship and harmony prevail in the country, inspiring and strengthening our political transition.

The Government of the Republic of Equatorial Guinea wishes to draw the attention of the people of Equatorial Guinea once again to the conduct and actions of the Spanish Government in relation to the process of consolidation of multiparty democracy in our country, a process that they are trying to turn into a bloodbath and fratricidal strife between compatriots by exploiting weaknesses in the opposition political parties.

The Government of the Republic of Equatorial Guinea has persistently and unremittingly denounced this hostile attitude but the Spanish Government has hitherto shown no interest in recanting.

When the Government of the Republic of Equatorial Guinea denounces the attitude of the Spanish Government and certain Spanish political circles, it is basing itself on historical and contemporary facts. The historical facts were reported in its communication of 5 August and the contemporary facts bear witness to Spain's obstructionist attitude to our political transition process, following the failures it has incurred in: bringing the opposition political parties together in a united front against the Government; requesting international financial institutions to impose an economic blockade on our country; urging the political parties to boycott the forthcoming parliamentary elections; fomenting civil disobedience among the population of Equatorial Guinea by mounting a campaign against the census and against voting; and promoting, inter alia, student revolts with a view to fostering continuous social unrest, as has repeatedly been reported.

The events that occurred on Annobón Island bear out these allegations, given the propaganda campaign that the former colonial Power has been waging on Spain's foreign broadcasting corporation, Radio Exterior España. In the same vein, mention may be made of a secret visit to Annobón by Raúl Izquierdo, former Coordinator-General of Cooperación Española, and his statements to the people of Annobón at the time to the effect that the "Government of Equatorial Guinea is obstructing humanitarian aid and development programmes for Annobón Island". All of this, together with the fact that the Coordinator was withdrawn shortly afterwards by his Government without completing the usual formalities, show that a Machiavellian plan of subversion, one of whose consequences was the unfortunate incident on the morning of 14 August, had been set in motion and all that remained was to await the results.

The Government of the Republic of Equatorial Guinea again calls on the Spanish Government and certain Spanish political circles to respect the national and international legal status of the Republic of Equatorial Guinea, which ceased to be a colony of Spain 25 years ago. Spain should remember with shame that in former times Annobón was the place in which all dangerous prisoners were confined throughout its period of colonization.

The Government also reiterates, as it did a week ago, its request to the people of Equatorial Guinea to continue living in peace with the Spanish community residing in the country.

The Government of the Republic of Equatorial Guinea again appeals to the conscience of all opposition political parties, whom it holds and will continue to hold responsible for all disturbances occurring in the country, and demands that they assume responsibility in accordance with the legal order. The Government is accordingly conducting appropriate investigations to determine where legal responsibility lies.

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DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

Impact of the recent evolution of the economies in transition on the world economy

Report of the Secretary-General

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* A/48/150 and Corr.1.

BACKGROUND

The process of transition of the centrally planned economies of Eastern Europe and the former Union of Soviet Socialist Republics to the market economy that began in the late 1980s has major short- and long-term implications for international economic relations and for the growth of the world economy. In resolution 47/175 of 22 December 1992, the General Assembly requested the Secretary-General to prepare a report on several of these implications, such as those related to the impact of the transition on the growth of the world economy in general and developing countries in particular, international cooperation, and flow of resources to developing countries. The present report has been prepared in response to that request.

The secretariat earlier prepared two fairly detailed reports on the subject (E/1991/82 and A/47/403). The present report is partly an update of the earlier reports. As requested by the General Assembly in resolution 47/175, the secretariat will continue to review and analyse the various aspects of the impact of the transition in the East. This work is in fact an important part of the secretariat's regular monitoring and analysis of emerging trends in the world economy and is reported, among others, in the World Economic Survey, the Economic Bulletin for Europe and the Economic Survey of Europe.

Data problems constrain the quantitative analysis of some of the issues involved. This is particularly true of some trade data, while information on resource flows to the transition economies is still erratic. Some of the conclusions of the present report are therefore necessarily tentative.

I. FROM CENTRAL PLANNING AND AUTARKY TO PRICE MECHANISM AND OPENNESS

1. For decades, the countries of Eastern Europe and the former Union of Soviet Socialist Republics largely followed a policy of autonomy from the rest of the world economy, forging instead close economic links among themselves and cultivating ties with a select group of developing countries. Economic integration among these countries made considerable headway, mainly through the Council for Mutual Economic Assistance (CMEA). On the eve of the political changes about 50 per cent of the external trade of these countries was accounted for by trade among themselves, and their production structures had become closely interdependent. By and large, these countries had only minimal contact with international financial and trade institutions and, except for Czechoslovakia, Hungary, Poland, Romania and Yugoslavia, they remained outside the International Monetary Fund (IMF), the World Bank and the General Agreement on Tariffs and Trade (GATT). Their role in international cooperation was marked by divisions and dissensions between them and the industrialized countries, largely along ideological lines. In international finance their role was even more limited than in trade and became increasingly so with the rapid growth and globalization of financial markets. Nevertheless, these countries accumulated significant amounts of foreign debt owed to industrialized countries, while there was a large build-up of debt owed to them, especially to the former Soviet Union, by developing countries.

2. The domestic economy, especially as it became more complex, began to reveal the inadequacies of central planning. Lacking market signals, production and distribution decisions such economies became increasingly difficult and inefficient. The incentive to increase productivity was weak. Technologies used in production were falling far behind those available in the West. As productivity stagnated and the growth of population tapered off, the growth of aggregate output slowed. The quest for increased output in the absence of growth of productivity led to a more intense use of existing resources, especially natural resources, thereby contributing to a far greater environmental depletion and degradation than thought possible under central planning. By the second half of the 1980s, these economies appeared trapped at a relatively "low" level of economic development, with inefficient technologies, a large but outmoded capital stock which needed replacement, increasing costs in the exploitation of natural resources, inadequate institutional means to mobilize domestic resources for development, and a seriously degraded environment.

3. The sharp reorientation of economic policy in these countries that followed the dramatic change in their political regimes involved the introduction of an economic system in which allocation of resources is carried out mainly by price mechanism rather than by central planning, and the opening of the domestic economy to the opportunities and challenges of the rest of the world economy, itself driven largely, though by no means entirely, by market forces. The transition has turned out to be an extremely difficult process. The market mechanism could not be instantly introduced in all spheres of the economy and the links of the domestic economy to the external world could only be gradually established. While the reorientation of policies promised substantial long-term benefits to the world economy as well as to the economies in transition, it

involved some short- to medium-term costs to the domestic economy as well as to the rest of the world. Large changes of this nature inevitably affect existing trade links, call for new trade relationships, and generate new financial flows among countries, potentially affecting some of the existing flows. Some of these developments may well be influenced by international political perceptions of the relative needs of different country groups and opportunities that they may seem to offer. Whatever the cause, they affect the command on world resources and the pattern of their use, influencing world economic growth and the economic circumstances of individual countries in various degrees, and change the nature and scope of international economic cooperation.

A. The short-term impact on the global economy

4. The process of transition in Eastern Europe and the former Soviet Union has been accompanied by a sharp fall in output. Over the period 1989-1992, the fall was probably of the order of 30. The growth of the world economy itself came to a virtual standstill at the same time, but this was largely due to the slowdown and recession in the industrialized economies that practically coincided with the beginning of the changes in the East. The contribution of the economies in transition to the slowdown in the global economy has been small.

5. The economies of the former Soviet Union and Eastern Europe account for only a small proportion of world output and trade. Estimation of the value of output in these economies for international comparison has always been difficult. Some estimates put the total output in these economies in 1988, that is, just before the beginning of the political changes in the area, at around 13 per cent of world output. 1/ More important, because of their autarkic nature, these economies accounted for an even smaller proportion of world trade than of world output. In 1988, only about 6 of world exports originated in these countries. Of this, about 50 per cent was destined for countries within the group. In other words, their trade with the developed market economies and developing countries accounted for only about 3 per cent of world trade, almost equally divided between the two groups.

6. With such a small weight in world trade, even the very large fall in the volume of trade of these economies (probably as much as 25 per cent in the period 1990-1992) has left the growth of world trade, especially trade outside these economies, virtually unaffected. The total direct effect on the growth of the world economy has been very small.

B. Implications for international cooperation

7. One of the first steps that most countries in Eastern Europe and the former Soviet Union took was to seek membership in multilateral financial and development institutions and to associate themselves more closely with western regional economic groupings. Almost all of these countries are now members of IMF and the World Bank. The Czech Republic, Hungary, Poland, Romania and Slovakia are already contracting parties to GATT and most other countries have applied for observer status, while several are in the process of negotiation for membership. Bulgaria, the former Czechoslovakia, Hungary, Poland and Romania entered into association agreements with the European Community as a potential

entered into association agreements with the European Community as a potential first step to integration with the latter; the Czech Republic and Slovakia are expected to succeed to the agreements signed by the former Czechoslovakia. All in all, the great cold war alienation between East and West has been replaced by a keenly felt desire by the countries in the East for cooperation and forging of economic links. This does not by any means ensure a frictionless economic relationship among countries. Resolution of conflicts of interest among countries and groups of countries will remain the grist of international cooperation. But the changes in the East are a major step towards a better environment in which that cooperation can be strengthened.

II. THE EVOLUTION OF TRADE RELATIONSHIPS OF THE ECONOMIES IN TRANSITION

8. The most visible impact of the transition in Europe has been in the shifting trade relations of these economies. 2/ The sharp fall in output in Eastern Europe and the former Soviet Union has been accompanied by an equally sharp decline in these countries' external trade. The change in the direction of trade has been dramatic.

9. In Eastern Europe, the United States dollar value of total exports declined by about one third, while imports declined by about a fifth over the period 1989-1992 (table 1). The fall in the value of intra-CMEA trade was far sharper. As the CMEA collapsed, trade among former members of the group themselves as well as with the former Soviet Union, declined by about three quarters. However, trade with the developed market economies continued to grow. Over the period 1989-1992, the value of these countries' exports to the developed market economies rose by some 35 per cent, 3/ while the value of imports from these economies increased by about 70 per cent. The share of the developed market economies in these countries' external trade rose from around 30 per cent in 1989 to 60 per cent in 1992. These trends suggest a quickly growing link of these economies with the developed market economies. Proximity to Western Europe, the early start of the transition process, compared with the former Soviet Union, and association agreements of some of these countries with the European Community, contributed to the growth of this trade.

10. Eastern Europe's trade with developing countries, on the other hand, suffered a large decline. The value of exports fell some 35 per cent over the period 1989-1991 but recovered in 1992, with an increase of around 20 per cent. Imports from these countries declined by almost 40 per cent during 1989-1992, with the sharpest decline in 1991.

11. The total value of trade of the Soviet Union and its successor States declined by over 40 per cent between 1989 and 1992. As with Eastern Europe, the change was the sharpest in intra-CMEA trade. Exports to Eastern Europe declined by some 60 per cent over 1989-1992, while imports collapsed and in 1992 were only 25 per cent of their level of 1989. Unlike the countries of Eastern Europe, however, trade with the developed market economies also declined. Exports to these economies fell by some 30 per cent over 1991-1992, as did imports from these sources.

Table 1. Eastern Europe and the former Soviet Union: value and growth of trade, 1989-1992
(Billions of dollars and percentages)

Country	Exports				Imports			
	Value	Change (per cent)			Value	Change (per cent)		
	1989	1990	1991	1992	1989	1990	1991	1992
Eastern Europe								
Total	63.7	-12.9	-20.7	-0.9	58.1	-7.1	-14.3	5.8
Eastern Europe	11.1	-36.0	-52.1	-11.8	11.3	-21.2	-66.3	-10.0
(Former) Soviet Union	22.5	-24.9	-53.3	-30.4	19.0	-18.4	-38.7	-7.4
Developed countries	20.2	13.4	15.3	4.2	18.4	9.8	33.7	17.0
Developing countries	9.9	-13.1	-26.7	20.6	9.4	0.0	-27.7	-13.2
(Former) Soviet Union[a]								
Total	62.2	-5.0	-21.0	-25.1	64.9	0.2	-30.2	-21.3
Eastern Europe	14.1	-21.3	-17.1	-37.4	16.8	-10.7	-41.3	-49.5
Developed countries	25.6	14.1	-9.6	-21.8	32.5	5.8	-23.3	-12.5
Developing countries	22.5	-16.4	-41.0	-20.8	15.6	0.0	-34.6	-10.3
Eastern Europe and (former) Soviet Union[a]								
Total	125.9	-9.0	-20.9	-13.9	123.0	-3.3	-22.9	-7.5
Eastern Europe	25.2	-27.8	-30.8	-31.5	28.1	-14.9	-50.6	-41.1
Developed countries	45.8	13.8	1.3	-9.5	50.9	7.3	-2.2	2.7
Developing countries	32.4	-15.4	-36.5	-4.9	25.0	0.0	-32.0	-11.6

Source: All data are drawn from the common database kept at the Economic Commission for Europe (ECE) which is based on national statistical publications, direct communications to the ECE secretariat from national statistical offices and (for 1992) in part on trade partner data. Both export and import values are expressed f.o.b., except for Hungarian imports which are shown c.i.f. in the national returns. Growth rates are calculated on values expressed in United States dollars. Trade with the East, including most of trade with eastern Europe and the former Soviet Union, in the years prior to 1991 was valued in an adjusted dollar measure reflecting consistent rouble/dollar cross-rates. All trade values for 1991 and 1992 were converted to dollars at the appropriate national conversion coefficient (usually the commercial rate quoted by national banks). The partner country grouping follows the practice until recently prevalent in the national statistical sources, which differs from the breakdown usually employed in United Nations publications.

[a] In the absence of data for other states of the former Soviet Union, the percentage changes in 1992 relate to the Russian Federation alone. Russia accounted for over 80 per cent of the total trade of the former Soviet Union. Data for Russia in 1992 are Secretariat estimates based on partial official data. For source, see: Russian Economic Monitor (Moscow), vol. 2, No. 3, March 1993, p. 7.

12. The fall in trade of the former Soviet Union with the developing countries was even sharper than for Eastern Europe. Exports to developing countries declined by 60 per cent, while imports from them fell by some 40 per cent. As discussed below, much of this sharp fall was in trade with countries that had earlier had special relationships with the Soviet Union.

13. Exports of the economies in transition as a whole declined by some 40 per cent during 1989-1992, while their imports fell by about 30 per cent. Trade with developed countries increased only marginally. Their exports to developing countries plummeted, falling by about 50 per cent, while their imports from these countries fell by about 40 per cent. 4/

Impact on trade of developing countries

14. The value of imports of the economies in transition from the developing countries amounted to around $25 billion in 1989. This was around 4 per cent of the total exports of the developing countries. Exports from the transition economies amounted to $32 billion or also around 4 per cent of the total imports of developing countries. These are relatively small magnitudes and even the sharp drop in this trade that has taken place in recent years, as indicated above, was not expected to have a significant impact on the growth of their total trade. The $30 billion or so decline in trade with the economies in transition between 1989 and 1992 was only about 2 per cent of the total trade of the developing countries in 1989. During this period, the dollar value of trade of these countries increased by about 35 per cent. With no change in the value of trade with the transition economies, the growth of trade would probably have been about two percentage points higher.

15. The impact, however, varied greatly among countries, depending on the nature and closeness of the link between these countries with the economies in transition as well as the ability of the individual developing countries to respond to changing circumstances.

16. Three developing countries - Cuba, Mongolia and Viet Nam - were members of CMEA. With the collapse of the institution, their trade with the East was seriously disrupted. The bulk of this trade was with the Soviet Union. In 1989 the total exports of those three countries to the economies in transition amounted to around $4.0 billion of which $3.0 billion went to the Soviet Union (table 2). By 1992 the total had dwindled to around $1.3 billion, a drop of two thirds. Similarly, imports of these countries from the transition economies declined from $4.5 billion in 1988 to $0.8 billion, which was an even sharper fall of over 80 per cent. By any measure, such a decline in both exports and imports represented a major shock to these developing countries. By far the most important factor behind the fall of trade between the developing countries in the aggregate and Eastern Europe and the former Soviet Union is the collapse of trade of this group.

17. A second group of developing countries that was adversely affected was the CMEA "cooperants" (table 2) whose export revenues to the economies in transition declined by some 35 per cent over the period 1989-1991 but increased by about 10 per cent in 1992. Their imports declined by about 5 per cent in 1990-1991, but recovered in 1992.

Table 2. Eastern Europe and the former Soviet Union: trade with selected groups of developing countries, 1990-1992
(Millions of dollars and percentages)

Country	Exports				Imports			
	Value 1989	Change (per cent) 1990	1991	1992	Value 1989	Change (per cent) 1990	1991	1992
Eastern Europe								
CMEA (3)	619.0	-31.8	-79.6	10.3	940.4	-45.4	-75.8	12.1
Cooperants	462.3	-34.7	-61.7	10.2	627.4	-7.7	-91.5	37.6
Others	2064.3	-25.0	-2.0	9.3	4395.3	-16.6	-23.8	8.0
NIEs	1327.6	-2.8	14.6	19.2	1592.5	-10.0	177.2	-2.9
(Former) Soviet Union								
CMEA (3)	3924.7	-6.4	-60.4	-51.8	3013.7	63.7	-51.7	-51.8
Cooperants	1077.5	14.0	9.7	10.0	664.8	7.9	10.0	10.0
Others	1789.4	15.9	2.9	7.1	4254.3	23.4	-17.1	9.1
NIEs	1034.6	63.5	25.8	2.2	2017.0	-19.8	25.1	6.0
Eastern Europe and (former) Soviet Union								
CMEA (3)	4543.7	-9.9	-62.4	-48.4	3954.0	37.8	-54.0	-48.6
Cooperants	1539.8	-0.6	-4.4	10.0	1292.2	0.3	-35.3	11.6
Others	3853.7	-6.0	0.8	8.0	8649.6	3.0	-19.9	8.7
NIEs	2362.2	26.3	20.9	9.2	3609.5	-15.5	96.6	0.1

Source: All data are drawn from the Direction of Trade Statistics (DOT), International Monetary Fund, Washington, D.C. For some reporters, notably Bulgaria and the "Former Soviet Union", only partial data for the groups, except the cooperant and collaborator countries, are available. Estimates for the three CMEA countries in the case of Bulgaria and the former Soviet Union have been made based on partial official data. The 1992 data refer to the Russian Federation alone.

Notes: CMEA (3) refers to Cuba, Mongolia and Viet Nam.

Cooperants are Afghanistan, Angola, Ethiopia, Iraq, Mexico, Mozambique, Nicaragua, and Democratic Yemen (now merged with Yemen; for 1990 data for Democratic Yemen and Yemen were aggregated).

Others with some special ties included in the data are: Algeria, Cambodia, Egypt, India, Iran (Islamic Republic of), Morocco, Pakistan and Syrian Arab Republic.

NIEs (newly industrialized economies) are Brazil, Hong Kong, Malaysia, Republic of Korea, Singapore, Taiwan Province of China, Thailand, Tunisia and Turkey.

18. There is a third group of countries that had no CMEA status but still had close ties with the East. Among them were a number of large countries, including India, with a substantial trade relationship with the former Soviet Union. Their exports to the economies in transition, which amounted to about $8.6 billion in 1989, dropped by about 20 per cent in 1990, but made a modest recovery in 1992, while their imports, valued at about $3.8 billion in 1989, increased slightly for the period as a whole.

19. In sharp contrast to these developments, a group of newly industrialized economies significantly increased their trade with Eastern Europe and the former Soviet Union. Exports of the group to the transition economies amounted to around $3.6 billion in 1989, which increased by almost 70 per cent to $6 billion in 1992, while imports from these economies rose from $2.4 billion to almost $4 billion.

20. Thus, while falling production, income and import demand in the economies in transition contributed to the fall in their trade with the developing countries, the breakdown of the special trade links, some of which followed the collapse of CMEA itself, was a major factor behind the phenomenon. The continuing growth of trade with countries without special links or only weak ties supports this conclusion. The higher rate of growth of exports of the newly industrialized economies over that of the developed market economies might suggest possibilities for other, and perhaps the more advanced, developing countries increasing their trade with the economies in transition when trade is not subject to special arrangements but is relatively free.

21. One of the indirect but immediate trade consequences of the transition in Europe has been felt in commodity prices, which are important for many developing countries. Strapped for hard currency, some of the countries in transition began to push their exports of raw materials, such as aluminium, copper and nickel, contributing to a further fall of their prices. At the same time, falling import demand resulting from sharply falling income tended to depress prices of some primary commodities, including tea, for which there was a significant market in Poland and the former Soviet Union, and industrial raw materials.

III. THE DIVERSITY OF EXPERIENCE OF DEVELOPING COUNTRIES

22. The impact of the changes in Eastern Europe and the Soviet Union on the developing countries varied greatly, as did the response to the changes, especially the ability of individual countries to switch to alternative channels of trade and sources of finance. Moreover, in many cases, long-drawn civil unrest or military conflicts, some of which can be traced to the ideological tension of the past between East and West, continued after the changes in the East, and these tended to obscure the effects of the transition per se. In a number of cases, a country's ties with the East were largely military so that their severance had little economic consequences except in special sectors.

23. Cuba, a developing country member of the former CMEA, stands out among countries that have been seriously affected by the changes in Europe. In 1989 about 85 per cent of the country's trade was with the Soviet Union and Eastern Europe. By 1992 this trade had declined to 10 per cent of its 1989 level.

External economic assistance from the East, closely related to trade, also plunged. In November 1992, however, a new trade agreement for 1993 doubled the planned sale of Cuban sugar to Russia and Russian oil exports to Cuba. Partly offsetting the decline of exports to Russia, exports to Canada increased. Western multilateral assistance to the country remained small (under $50 million a year). A largely undiversified economic structure, a virtual economic blockade by the United States and the absence of economic reform have prevented the country from switching to alternative sources of finance and trade.

24. Viet Nam, also a member of the former CMEA, stands in sharp contrast to the experience of Cuba. Eastern Europe and the Soviet Union accounted for around 60 per cent of the country's exports and 70 per cent of its imports. But economic policy changes had already been shifting trade to convertible currency areas in the late 1980s. The country quickly became a major rice exporter, while the recent discovery of oil came as a boon. The changes in the East hastened the shift. Rice and oil exports are now the principal earners of hard currency. In 1992 exports to other Asian countries came to account for 80 per cent of the total exports, while imports from these countries rose to 75 per cent of the total imports. Among the countries adversely affected by the changes in the East, Viet Nam was perhaps the most successful in forging new trade links. It has been less successful in establishing new financial links. The country depended on Eastern Europe and the Soviet Union for the bulk of its external resources. The termination of external assistance from this source has not been followed by Western assistance, primarily because of the United States embargo, though, in particular, some Scandinavian donors and the Netherlands continued their assistance. By late 1992 several European countries resumed an economic relationship with the country. Also, Japan pledged a $375 million assistance package. Objections by the United States to multilateral lending to the country have recently been lifted.

25. Mongolia, the third developing country that was a CMEA member, had the closest economic link of all with the Soviet Union, which accounted for 90 per cent of the country's external trade. In 1990 exports of the country fell by over 40 per cent while imports contracted by 50 per cent. The sharp fall in economic assistance from the Soviet Union was reflected in a further fall of imports in 1991 to only 30 per cent of their 1989 level. In 1992 both imports and exports rose, and small shifts in trade away from Russia were becoming evident. In early 1992, the first significant multilateral assistance was pledged, primarily for balance-of-payments support and development of the mining sector.

26. In the group of "cooperant" countries, 5/ Afghanistan's link with the East, especially the Soviet Union, was among the closest. Over 60 per cent of the country's exports went to the Soviet Union, which supplied about 50 per cent of its imports. Immediately after the Soviet military withdrawal from Afghanistan, the country's bilateral trade plunged by at least 50 per cent. Soviet or Russian economic assistance has stopped. The political and military struggles have had devastating effects on the economy, overshadowing the consequences of the severance of ties with the former Soviet Union.

27. About 20 per cent of Ethiopia's imports originated in Eastern Europe and the Soviet Union, while about 10 per cent of the exports of the country went to that region. This trade is reported to have fallen substantially. 6/ Soviet

assistance, now almost stopped, was largely military. The change in the political regime in the country and efforts at economic reform have resulted in pledges of the first Western assistance in two decades and the United States has included the country in its Generalized System of Preferences (GSP).

28. In Nicaragua, which had developed close economic ties with the Soviet Union, the altered pattern of economic links has more to do with the change in the political regime in the country in 1989 than to changes in the East. In contrast to some of the other countries, the switch of the country to alternative sources of finance and trade was greatly facilitated by Western, particularly United States, initiatives. External assistance to the country increased sharply.

29. In the third group of countries - those with "close ties" with CMEA, India's trade with the Soviet Union and Eastern Europe was the largest and the economic ties between India and the Soviet Union among the closest. In 1989 about 18 per cent (about $2.7 billion) of India's exports and 10 per cent of imports were accounted for by the transition economies, of which the Soviet Union was by far the largest trading partner. The share in exports declined to around 10 per cent in 1992, while the import share fell to around 5 per cent. The disruption of trade with the Soviet Union contributed to the small decline in the country's trade in 1991. In recent months, however, there have been signs of more vigorous growth in India's exports, suggesting that the country may be beginning to overcome the effects of disruption of trade with the East. The trade with the former Soviet Union itself appeared to pick up in value terms in 1992.

30. While these cases already illustrate the contrasting experience of countries in the aftermath of the changes in the East, the contrast sharpens with the experience of some of the newly industrialized developing countries. Almost all of them continued to expand their trade with Eastern Europe and the successor States of the Soviet Union. Thus exports of the Republic of Korea to these economies increased four fold between 1989 and 1991. Exports of Hong Kong and Singapore also increased, albeit from a small base.

31. Exports of the major exporters of manufactures in Asia 7/ to the European Community rose by 50 per cent between 1989 and 1992. This increase may be particularly significant, because some of the Eastern European countries are aiming to increase their exports to that market and are in potential competition with the newly industrialized economies.

IV. EXTERNAL RESOURCES FOR TRANSITION

32. The sharp departure from past economic ideology and policy in Eastern Europe and the former Soviet Union called for a radical reallocation of national resources among economic sectors and activities. It also required additional resources. Replacement of an antiquated capital stock in many industries remains a priority while large new investments are needed in many others, which had been starved of funds under the old system, and in private enterprises. Much of the resource needs have to be met from domestic sources and are indeed being so met. Nevertheless, the need for external resources has proved large, especially because output and income shrank, leading to a sharp fall in domestic

savings. Stabilization policies, critical for the creation of conditions for sustained development, required external assistance. Economic distress and civil turmoil also called for humanitarian aid. The reduction of military expenditure that is taking place in these economies would free resources for long-term development but its impact during the transition period is mixed.

33. With a given amount of the world's financial resources, such additional demand would influence the direction of resource flows as well as the cost of these resources, that is, interest rates. The total financial resources available in the world economy are not, however, entirely fixed even in the short run, and the flow of resources to countries competing for them and the cost of finance are not all market determined.

34. Information on the flow of financial resources to the economies in transition is still patchy, and only broad orders of magnitude are available. The commitment of official international financial assistance to Eastern Europe and the successor States of the Soviet Union during the period 1990-1992 amounted to some $145 billion. 8/ In April 1993 the group of seven major industrialized countries pledged $43 billion to the Russian Federation, which included a debt rescheduling of $15 billion. There is probably some overlap between this package and the earlier $145 billion. Information of disbursement is even more scanty. There is little doubt, however, that it is a small fraction of the commitment.

35. Only a small proportion of the flow of resources to transition economies appears to have been accounted for by official development assistance (ODA) as conventionally defined. 9/ About $6 billion 10/ in ODA was provided by OECD countries to Eastern Europe and the successor States of the Soviet Union over the two years 1990-1991, or an average of $3 billion a year. A large proportion of this (almost 40 per cent in 1991) consisted of food grants and humanitarian assistance.

36. Private capital flows to these economies remain small. Medium- and long-term funds raised on international financial markets by these countries averaged around $4.7 billion during the period 1989-1990 but amounted to only $1.7 billion in 1991 and $1.5 billion in 1992. 11/ The flow of foreign direct investment rose from $0.6 billion in 1990 to $2.3 billion in 1991 and increased marginally to $2.8 billion in 1992. Low creditworthiness of many of these countries has held down the first type of private finance, while uncertain economic prospects have discouraged any large flow of the second. Moreover, these inflows of resources should be set against "capital flight" out of some of these economies, which is probably large, especially that out of the Russian Federation.

37. Resource flows to transition economies have been small compared with their world totals. The total annual flow of ODA from the members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) to the far more numerous and generally much poorer developing countries amounted to around $56 billion during the period 1990-1992. The average volume of funds raised by the developing countries 12/ in international financial markets during the three years was about $9 billion, while the world total was around $360 billion. 13/ The gross flow of foreign direct investment

to the developing countries averaged $30 billion for the three years and the world flow amounted to over $150 billion. 14/

Implications for finance for development of developing countries

38. Given the high degree of globalization of the world financial markets, a large additional demand for financial resources originally expected from the transition economies could, other things remaining the same, raise the rate of interest world wide. This could seriously raise the cost of borrowing and debt serving for the developing countries. This fear, expressed at the inception of the changes, turned out to be unfounded. The relatively small effective flow of financial resources to the economies in transition had little impact on international interest rates. Although an indirect result of German unification has been that the European interest rates remained higher than they would have been without the event, international interest rates have fallen substantially. 15/ The recession and stagnation in the industrialized economies that coincided with the beginning of the transition process and the resulting expansionary monetary policies contributed to the fall.

39. For decades the centrally planned economies have provided substantial economic assistance to selected developing countries. The magnitude of the assistance has often been the subject of debate. As donors, these countries have claimed to have reached or surpassed the aid target of 0.7 per cent of GDP set in the Second United Nations Development Decade (E/1991/82, para. 102), while the OECD estimates put their aid disbursement at only 0.14 per cent of GDP in 1975 and at 0.23 per cent in 1985 (E/1991/82, para. 105). If, however, some of the non-conventional forms of resource transfer - such as imports from the developing countries being priced higher than world market prices or exports to them being subsidized - are taken into account, this would raise their real assistance above the average ODA/GNP ratio achieved by the industrial countries. An almost inevitable consequence of the transition in the East was a sharp decline in this volume of assistance. OECD data suggests the magnitude of the fall: total ODA of Eastern Europe and the Soviet Union fell from $3.0 billion in 1989 to around $1.0 billion in 1991 16/ and was probably negligible in 1992. The policy of greater use of world market prices by these countries, and hence elimination of subsidies on exports to developing countries and the element of assistance in the pricing of the imports from them, meant further sharp reductions in real assistance.

40. However, servicing of debt owed to Eastern Europe and the former Soviet Union has declined sharply. According to the World Debt Tables 1992-1993, debt owed to the former Soviet Union amounted to over $140 billion in 1991, the bulk of it owed by a dozen or so of developing countries. Debt servicing has declined sharply. In 1991 only about 25 per cent of debt service falling due was paid and payments in 1992 are reportedly even smaller. 17/

41. Much of the assistance, which was closely associated with trade links, was channelled to a few developing countries. In 1988, the three developing country CMEA members (Cuba, Mongolia and Viet Nam) accounted for 73 per cent of the total assistance from Eastern Europe and the Soviet Union (E/1991/82, para. 104). Although data for individual countries are not available, all three countries were seriously affected by the sharp fall in assistance because of their almost total dependence on aid from this source. Afghanistan, Angola,

Cambodia, Ethiopia and Mozambique also suffered a sharp reduction or an almost total cessation of assistance.

42. Apart from the decline of economic assistance from this source, concern has been expressed about the possible diversion of resources that would have flown to the developing countries in the absence of the changes in the East. The difficulties of assessing the counterfactual situation make it impossible to make a definitive statement about such diversion. A number of observations can nevertheless be made.

43. First, other things remaining the same, private resources flow where the expected rate of return on investment is the highest, taking into account the risks, both political and economic, of failure. On that account, developing countries have been able to attract far larger foreign private funds and private investments in recent years than the former centrally planned economies, and some within the former group have fared much better than others in this respect. In other words, private capital, the bulk of which originates in the industrialized countries, appears to be relatively less influenced by the historical and political considerations that affect the flow of public funds. As economic prospects in the transition economies brighten, however, and their move towards market-based decision-making becomes unequivocal, far larger amounts of financial resources could flow into these economies.

44. Second, the resource needs of the transition economies have greatly increased the demand for official external finance. In fact, in the absence of any significant flow of private finance, official finance constitutes the bulk of the flow of external financial resources to Eastern Europe and the successor States of the Soviet Union. There is thus an element of competition with developing countries for the relatively fixed amount of official resources. However, a distinction should be made here between concessional and non-concessional resources. Regarding non-concessional resources, the significant recent increase in the resources of both IMF and the World Bank, the principal multilateral lending agencies, gives more flexibility to accommodate the requirements of the transition economies.

45. Third, regarding concessional resources, the trend of the flow of official development assistance to developing countries from DAC countries appears to have remained unchanged in recent years. Total ODA from DAC countries increased from $45.7 billion in 1989 to $60.8 billion in 1992 in current exchange rates and prices. In volume terms, this amounts to an annual rate of growth of 2.7 per cent, which is about the same as the rate of growth during the 1980s. 18/ This does not of course mean that the trend could not change. Nor does this preclude the possibility of some diversion of economic assistance of individual donors from the developing countries. Industrial donor countries have, however, repeatedly committed not to allow such diversion.

46. Perhaps more important is the consideration that some of the former centrally planned economies are now beginning to have developing country status, increasing the number of ODA recipients. Thus some of the former Soviet republics in central Asia are now eligible for DAC assistance. 19/ Some of them are or may be eligible for IDA credit. With the total developed country ODA barely growing and IDA resources constant in real terms, an increase in the number of ODA recipients should imply a reduced availability of ODA per country.

47. The availability of sufficient official resources for developing countries depends in the ultimate analysis on the ability and willingness of the donor countries to provide such funds, both of which have been constrained in recent years. Slow economic growth, rising fiscal deficits and a certain amount of aid fatigue have combined to restrict the growth of ODA, even as most donor countries remain committed to make efforts to raise it (see also A/48/367).

V. IMPLICATIONS OF THE TRANSITION: SOME POLICY CONCLUSIONS

48. The issues of economic transformation in Eastern Europe and the former Soviet Union are essentially for these countries themselves to resolve. But the transition process can be facilitated, and its possible short-term adverse effects on other countries, and especially on the developing countries, can well be minimized in an atmosphere of robust growth in the world economy, in particular in the industrialized economies. The economies in transition need greater opportunities to trade with the rest of the world, as well as among themselves. The expansion of their trade can take place with less friction in export markets when world output and trade are growing reasonably fast. The need for increased external resources for the transition can be met without impinging on the needs of other countries only if the industrial economies are growing and generating sufficient resources.

49. An assessment of the long-term implications of the changes in Eastern Europe and the former Soviet Union is bound to remain speculative for the present. Uncertainties remain on the pace of the changes though the broad direction of the changes is clear enough. There is little doubt, however, that in the long term their impact will be highly positive for the growth of the world economy and the overwhelming majority of individual economies as well as for international cooperation.

50. While prospects for international cooperation have been brightened by the changes in the East, these changes have been accompanied by a perceptible shift in international attention from issues facing the developing countries. The possibility of a significant diversion of official external resources from developing countries in the next few years remains an open question; none the less, there is a keen feeling that the focus of attention of some of the major industrialized countries and multilateral development and financial institutions has shifted away from the developing countries. Improvement in international economic cooperation would seem to call for a more judicious distribution of international attention to the various emerging and old, yet unsolved, issues in the world economy.

51. One of the benefits of the change in East-West relations is the reduction of expenditure on armaments. The military expenditures of the United States and the Soviet Union made up 60 per cent of the global total and therefore a reduction in those expenditures will have the greatest impact on total expenditures. In the United States, military expenditure as a share of gross national product (GNP) is almost certain to go down from 6 per cent in the 1980s to 3 per cent in the 1990s. 20/ In the former Soviet Union arms production is thought to have declined by 50 per cent between 1990 and 1992. 20/ Not all the past reduction in arms expenditure should be traced to the easing of East-West tension and neither is the conversion of military facilities for civilian use

easy. Nevertheless, significant volumes of world resources are beginning to be released from uses that contributed little to economic well-being. There are indications that military expenditure in developing countries is also declining. The proliferation of local conflicts around the world that coincided with the changes in the East should not belittle the long-run benefits expected in the wake of these changes in East-West relations.

52. The substitution of market mechanism for central planning, while no panacea, should itself contribute to an improved allocation of resources among various national uses and thus increase efficiency. Duplication of efforts, production of goods that consumers did not want, and the lack of incentive to make the most efficient use of existing resources that had characterized much of central planning can be minimized when the price mechanism is allowed to work relatively freely. A judicious blend of price mechanism and deliberate policies should also promote environmentally sound use of resources and thus help to rectify some of the failure of environmental policies under central planning. Production and testing of weapons have contributed to environmental degradation. A reduction of military expenditure should contribute to the reversal of the process.

53. An increase in world economic well-being requires, however, that policies that hinder competition are phased out in other economies as well. Prescriptions for liberalization and competition given to the economies in transition need to be applied in other countries as well, including the industrialized economies. In both developing countries and transition economies growth will be facilitated by a further dismantling of the present barriers to trade. A successful conclusion of the Uruguay Round of multilateral trade negotiations would contribute to the smoothing of the transition process in the East, and, at the same time, raise the rate of growth of the developing countries.

54. As pointed out earlier, the transition in Eastern Europe and the former Soviet Union has tended to disrupt trade and financial links of a number of developing countries, but the overall impact on the latter countries as a whole has not been very substantial. In the longer run, the developing countries stand to benefit from the changes in the economies in transition. With the transition to the market economy completed, the production structure in Eastern Europe and the successor States of the Soviet Union would reflect their resource endowments and comparative advantage far more closely than before. This should help produce conditions favourable to the developing countries liberalizing their own production and trade structure to increase trade with the East. In third country markets, the recent experience of the more advanced developing countries suggests that the transition should not be an impediment to expanding trade flows. Obstacles to exports of developing countries to developed market economies appear at present to be the tariff and non-tariff barriers in the latter, rather than competition from the East.

55. Grounds for more legitimate concern could arise, however, for developing country exports on the question of preferential treatment given to the transition economies in the developed market economies. Improved access to the latter, especially Western Europe's market, is critical to the success of the transition in the East. The long-term objective of integration of these economies with those of Western Europe, of which the association agreements of

five of the Eastern European countries with the European Community is a first step, should be welcome. But such regional trading arrangements should not be discriminatory to the outsiders. A strengthening of the rules of the multilateral trading system, at a time when regional arrangements are becoming more common, is therefore a priority issue for the international community. 21/ Any preferences accorded to the economies in transition in the European Community should be seen in this broader context.

56. As the ranks of the developing countries swell with the inclusion of some of the low-income former centrally planned economies, it is critically important for the donor countries to look for ways to enlarge the size of the aid pie. The prospects for an increase in official development assistance are not promising. To be set against this is, however, the prospect that growth of many developing countries still dependent on official development assistance will suffer. Some of the traditional arguments for development assistance are being questioned and even a few - mostly of a political nature - may have ceased to be valid. In contrast, institutional and economic policy reforms in developing countries are being undertaken on an unprecedented scale. Many of these countries need official development assistance to speed up economic transformation and diversification while simultaneously protecting their people from the worst forms of deprivation. Growing investments and sustained efforts to eradicate poverty - part of which are unlikely to yield immediate results - do require international support. Increased ODA to developing countries and an expanding supply of medium- to long-term non-concessional official credit, bilateral and multilateral, should go pari passu with the growing supply of resources to economies in transition.

Notes

1/ See World Economic Survey 1992 (United Nations publication, Sales No. E.92.II.C.1), chap. I.

2/ Some of the trade data are subject to a large degree of uncertainty and should be seen only as broad orders of magnitude.

3/ Data do not permit a fully reliable assessment of the trend of exports in real terms.

4/ These figures are in United States dollar values. The changes in more recent months are difficult to assess due to data problems, but are likely to be considerably smaller.

5/ See footnote to table 2 for definition.

6/ IMF Direction of Trade data, however, show virtually no change in the value of exports to the former Soviet Union and an increase in the value of imports from the country. The latter may be due at least partly to higher prices charged on Russian oil exports.

7/ China, Hong Kong, India, Indonesia, Malaysia, Singapore and Thailand. Imports of the European Community from these countries rose from $46 billion in

1989 to $72 billion in 1992. (Source: IMF, Direction of Trade data on tape, July 1993).

8/ The period covered is from January 1990 and end-June 1992 for Eastern Europe and through November 1992 for the successor States of the Soviet Union. (Source: Economic Survey of Europe in 1992-1993 (United Nations publication, Sales No. E.93.II.E.1), p. 239, and table 4.1.3).

9/ Grants and concessional assistance with a grant element of 25 per cent or more.

10/ Excluding debt forgiveness. (Source: OECD, Aid and other resource flows to the central and eastern European countries and the new independent states of the former Soviet Union in 1991. Paris, 1993 (OECD/GD (93) 78)).

11/ Economic Survey of Europe in 1992-1993, tables 4.1.1 and 4.1.2.

12/ Capital-importing developing countries. (Source: World Economic Survey 1993, table A.27).

13/ Bank for International Settlements, 63rd Annual Report, Basle, 1993 (p. 90).

14/ Ibid., (p. 90).

15/ Thus, the London interbank offered rate (LIBOR) on six-month United States dollar deposits declined from over 9 per cent in 1989 to 3.9 per cent in 1992.

16/ OECD, Financial Resources for Developing Countries: 1992 and Recent Trends, Press Release (SG/PRESS (93) 41), June 1993.

17/ World Bank, World Debt Tables 1992-1993, vol. 1, p. 35. (For loans denominated in roubles, the old official exchange rate of less than one rouble per dollar was used.)

18/ DAC press release, 29 June 1993, and OECD, Development Cooperation, 1992 Report. The latter report (p. 89) gives a figure of 2.4 per cent for the period 1980/81-1990/91. The rate of growth in the second half of the 1980s declined to 1.6 per cent a year (DAC 1991 Report, p. 125).

19/ OECD includes, for example, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan in its list of developing countries with effect from 1 January 1993. See OECD Press Release, op. cit.

20/ Stockholm International Peace Research Institute (SIPRI), Yearbook 1992.

21/ On recent development of trade blocs, see World Economic Survey 1993 (United Nations publication, Sales No. E.93.II.C.1).